International Mogul Mines Limited

ANNUAL REPORT

1969

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ANNUAL
REPORT

Contents

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International Mogul Mines Limited / 1969

Directors

R. D. Bell, C.A., Toronto, Ont.
H. R. Bennett, B.Comm., Toronto, Ont.
Latham C. Burns, B.A. Toronto, Ont.
P. S. Cross, B.A.Sc., Toronto, Ont.
R. A. Davies, Q.C., LLM., Toronto, Ont.
E. T. Donaldson, Toronto, Ont.
W. James, Ph.D., Toronto, Ont.
D. W. Knight, Toronto, Ont.
John Kostuik, B.Sc., Don Mills, Ont.
E. B. McConkey, C.A., Scarborough, Ont.
G. D. Pattison, C.A., R.R. No. 2, Aurora, Ont.
S. A. Perry, F.C.I.S., Toronto, Ont.
Anthony Roman, R.R. No. 2, Gormley, Ont.
F. G. Townsend, F.C.A., R.R. No. 1, Streetsville, Ont.
W. W. Weber, Ph.D., Toronto, Ont.

Officers

S. A. Perry, F.C.I.S., Chairman of the Board
D. W. Knight, President and Chief Executive Officer
F. G. Townsend, F.C.A., Executive Vice-President
G. D. Pattison, C.A., Vice-President and Secretary
P. S. Cross, B.A.Sc., Vice-President, Operations
R. D. Bell, C.A., Vice-President, Finance
W. W. Weber, Ph.D., Vice-President, Exploration
J. P. Brisbois, C.A., Treasurer and Controller

AUDITORS

Thorne, Gunn, Helliwell & Christenson, Toronto, Ont.

COUNSEL

Davies, Ward & Beck, Toronto, Ont.

BANKERS

The Toronto-Dominion Bank, Toronto, Ont.

HEAD OFFICE

34 Adelaide Street West, Toronto, Ont.

TRANSFER AGENT AND REGISTRAR

Guaranty Trust Company of Canada, Toronto, Montreal, Winnipeg and Vancouver

Directors' Report to the Shareholders

Your Board of Directors is pleased to present to you the 1969 Annual Report. The various activities and investments of your Companies during 1969 are commented upon in detail in the following pages of this report.

You will see that 1969 has been a good year for your Company which is now in the strongest financial position of its history. Net income of the Company and its consolidated subsidiaries for the year amounted to $3,186,268 being $1.22 per share. The mining operation in Ireland is up to expectations and many of the earlier problems have been alleviated.

The depressed market price of the shares of Benguet Consolidated, Inc., resulting in a mutual agreement not to proceed with the previously announced exchange offer for shares of The Grand Bahama Development Company, Limited, was disappointing. However, management of the Development Company now intends to apply for a listing on The Toronto Stock Exchange which will be of advantage to all shareholders.

During the last half of 1969 and to date in 1970 there has been a slowing down of tourist traffic and investment in the Bahamas. This has been due in part to current economic conditions in North America as well as to some softening of investor confidence particularly in respect to Freeport. In striving to provide business and employment opportunities for Bahamians, the Government has necessarily had to introduce restrictions on immigration and the issue of work permits. Many countries, including Canada, have similar regulations although the recent moves in the Bahamas have undoubtedly caused some hardship to investors and non-Bahamian workers.

Your management believes that this is a temporary situation and that the medium to long term future of the Bahamas is very bright. The country can only prosper and Bahamians can only attain their own social and economic objectives if there is a stable economic climate to attract off-shore investors to commit themselves to capital projects. The Bahamian government is well aware of this fact and can be expected to act accordingly.

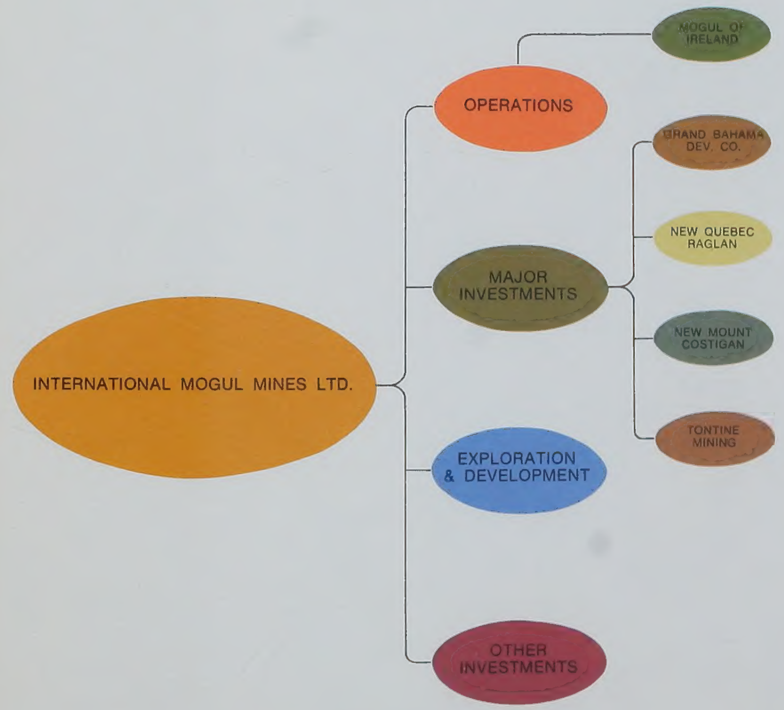
To enable shareholders to appreciate the significance of the Development Company's operations and financial position its financial statements for the year ended October 31, 1969 are reproduced in this report.

The Company intends to reproduce from time to time for the information of its shareholders the financial statements of other companies in which it has a significant investment.

Exploration activity will be significantly increased during 1970 in various parts of the world including continuing exploration to further extend the ore reserves of Mogul of Ireland. Your Company's significant investment in New Mount Costigan Mines Limited has given it a stake in Australian mining and during 1970 International Mogul will become much more active in that country. As a result of the sale of approximately one-half of its holdings in New Quebec Raglan Mines Limited, your Company now has approximately $7,500,000 cash on hand or on short term deposit. In the present economic climate, this has put International Mogul in a very strong financial position. The Company is continually on the look-out for special situations and opportunities for sound investment. Acquisitions will be considered only where profit potential is high and existing operating management is sound.

In addition, a new wholly-owned subsidiary has been formed which will seek out and invest in attractive new or expanding businesses. In other words it will engage in what is generally referred to as a venture capital business. In early 1970 this company acquired approximately 51% ownership of Federal Drilling Supplies Limited, a new company formed to manufacture and distribute drilling and mining supplies. This company has constructed a plant in North Bay, Ontario and plans to be in full operation by July, 1970. It is expected that Federal Drilling Supplies will make a useful contribution to the consolidated profits of your Company in future years.

Because a substantial part of the Company's assets are outside of Canada and the Company has interests in various mining properties in Canada, the international and mining aspects of the Canadian tax reform proposals are of particular interest. Although the tax reform proposals may have a substantial effect upon income derived from mining operations in Canada, the proposals do not involve any material change in the taxation



of income to be received by your Company from Mogul of Ireland, nor of income that might be received from Australia if exploration there proves to be successful. Your Company is also actively engaged in mineral exploration in Canada and the adoption of the tax reform proposals would make Canadian mineral exploration relatively less attractive. As the Company does not at the present time pay dividends to shareholders, certain of the proposals which adversely affect shareholders of companies with income derived from sources outside Canada will not affect the Company or its shareholders. In addition, to the extent the Company does not receive dividend income from its investment in the Bahamas, the proposals will not adversely affect the Company's position in respect of these investments. Although your Company will not be immediately and directly affected by many of the controversial tax reform proposals, it is sincerely hoped that the Government will not proceed to implement proposals which will discourage the development of the natural resources industry in Canada or which will create a climate which is unattractive to Canadian based international companies.

The Board of Directors would like to express its appreciation to all the officers and employees who have worked so diligently to make 1969 a successful year. The loyalty and team spirit so often demonstrated in your Company is an asset of significant value.

On behalf of the Board of Directors.

President

Toronto, Ontario
May 4, 1970

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will be continued with the objective of outlining an economic ore zone.

Preliminary metallurgical test work is scheduled for the last quarter of this year.

Additionally, there are further anomalous areas in this immediate area which remain to be investigated.

Province of Nova Scotia

Research continues in connection with the barite-fluorspar deposit at Lake Ainslie, Cape Breton, held under option by the Company. The pilot plant test now in progress will be completed later this year and results should assist in assessing the economic potential of this property.

Recently adding to the economic outlook for this project have been significant increases in demand and price for fluorspar.

Ireland

Geochemical and geophysical surveys performed by Irish Metal Mining Company Limited on its Carbery project in Cork and Kerry Counties have indicated three anomalous areas which warrant testing by diamond drilling. Irish Metal Mining Company is 40% owned by the Company with 20% being held by each of three associated companies.

MAJOR INVESTMENTS

The Grand Bahama Development Company, Limited

It was announced late in June that Benguet Consolidated, Inc. proposes to make an offer to all minority shareholders of The Grand Bahama Development Company, Limited to exchange Benguet shares for shares of The Grand Bahama Development Company on the basis of ⅝ of a Benguet share for each share of The Grand Bahama Development Company.

Benguet now owns about 92% of The Grand Bahama Port Authority Limited which, in turn, owns about 58% of The Grand Bahama Development Company. Your Company owns 1,950,000 shares of The Grand Bahama Development Company, representing about 17% of its outstanding shares.

Listed on the New York Stock Exchange, shares of Benguet have traded since the end of June at between $18⅛ and $29⅛ U.S. per share.

Your Company intends to accept the proposed Benguet offer.

New Quebec Raglan Mines Limited

New Quebec Raglan Mines, a subsidiary of Falconbridge Nickel Mines Limited, announced early in the year it was prepared to spend a further $5.6 million over a two year period in exploring and developing its nickel property in the Ungava region of the Province of Quebec.

Shaft sinking is expected to commence early in September. Significant results have been obtained in the current diamond drilling program on the Katiniq area of the property. Your Company has a major share interest in New Quebec Raglan Mines.

Yours respectfully

August 28, 1969

D. W. KNIGHT
President

International Mogul Mines Limited

Interim Report
Six Months Ended
June 30, 1969

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On behalf of the Board of Directors.

Toronto, Ontario
May 4, 1970

President

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International Mogul Mines Limited

34 Adelaide Street West,
TORONTO 1, ONTARIO.

To the Shareholders:

This report summarizes your Company's activities during the six months ended June 30, 1969.

MOGUL OF IRELAND LIMITED

Satisfactory operating results were achieved since the first of the year by the Company's 75% owned subsidiary, Mogul of Ireland Limited.

In the first six months of 1969, the mill treated 511,745 tons of ore, producing 17,823 and 86,391 short dry tons of lead and zinc concentrates, respectively.

Production revenue was $6,181,112., operating costs, exclusive of marketing, were $2,739,811. or approximately $5.35 per ton milled. After marketing expenses of $704,130., operating profit was $2,737,171. Allowing for interest and other income, net profit prior to depreciation and amortization was $2,067,069. A 68% improvement was achieved in second quarter operating results over first quarter results. With lead and zinc prices strong, such favorable returns are expected to continue for the balance of the year. Working capital at June 30, 1969 was approximately $2,400,000.

Lateral mine development completed during the period totaled 8,274 feet. Underground diamond drilling amounted to 15,771 feet. Long hole drilling for production purposes was 240,029 feet while the tons of ore broken from all sources totaled 598,174.

Other than the tonnage milled, there was no change in ore reserves during this period.

In order to prepare for mine development of the "B" zone, which is not now included in ore reserves, commencement of further exploratory surface diamond drilling is proposed for the third quarter.

To date, an aggregate of $2,500,000 U.S. Series D Bonds have been retired.

EXPLORATION AND DEVELOPMENT

Province of Ontario

Diamond drilling has continued on the mineral claims jointly held by the Company and North Coldstream Mines Limited, located in the Crescent Lake-Juneau areas of Northern Ontario, east of the town of Armstrong.

Since the first of the year, 27 drill holes have been completed. Twenty of these, totalling 12,400 feet of coring, have been concentrated on the B-4-7 anomaly near Juneau Lake. This drilling has intersected significant sulphide mineralization along a length of 1,600 feet and to a tested depth of 800 feet. The intersections deemed to be of ore potential in this mineralized zone grade an average of 0.85% Ni and 0.6% Cu. Drilling continues at the rate of 4,000 feet per month in the evaluation of the zone with current emphasis on the indicated westerly plunge beyond the surface anomaly.

It is premature at this time to estimate ore potential and grade due to the wide spacing of the holes and the considerable number of intersected sections. The present program

International Mogul Mines Limited
and its consolidated subsidiaries

Consolidated Statement of Income
Six months ended June 30, 1969
(unaudited)

Production		$6,181,112
Operating expenses		3,383,941
Income from operations of Mogul of Ireland Limited		2,797,171
Administrative and general expenses	$ 259,002	
Interest on long term debt	682,187	
Advances to subsidiaries not consolidated	68,816	
Cost of consulting services	60,394	
General exploration and property maintenance	54,918	
	1,125,317	
Less income from investments, consulting, management and other services	224,762	900,555
Net income for period before interest of minority shareholders		1,896,616
Interest of minority shareholders in net income of subsidiary, Mogul of Ireland Limited		516,767
Net income for period (note 1)		$1,379,849
Earnings per share (note 1)		52.9¢

International Mogul Mines Limited
and its consolidated subsidiaries

Consolidated Statement of Source and Application of Funds
Six months ended June 30, 1969
(unaudited)

Source of funds		
Net income for period	$1,379,849	
Interest of minority shareholders, not involving an outlay of funds	516,767	
	1,896,616	
Issue of first mortgage bonds, Series D	536,550	
Issue of capital stock	15,000	
Sale of fixed assets	91,755	
Other	12,972	2,552,893
Application of funds		
Redemption of first mortgage bonds, Series D	2,157,635	
Investment in shares and advances (less advances written off of $70,391)		
Subsidiaries not consolidated	3,676	
Other companies	326,274	
Additions to fixed assets	48,713	
Preproduction expenditures in Ireland	40,584	
Exploration expenses deferred	24,060	
Other	2,781	2,603,723
Decrease in working capital position		50,830
Working capital at beginning of period		1,843,749
Working capital at end of period		$1,792,919

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Provision for depreciation and amortization

   Management of Mogul of Ireland Limited has not yet adopted a policy for depreciation of fixed assets and amortization of preproduction expenses. Accordingly no provision has been made therefor in the accompanying consolidated statement of income.

2. Income taxes

   No provision for income taxes is required because Mogul of Ireland Limited is in a tax free period and the company and its other consolidated subsidiaries had no taxable income.

3. Comparative figures

   The Company results from the amalgamation of four companies on November 20, 1968. Accordingly, comparative figures for the six months ended June 30, 1968 are not available.

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On behalf of the Board of Directors.

Toronto, Ontario
May 4, 1970

President

International Mogul Mines Limited

MOGUL OF IRELAND LIMITED

The year was a very successful one for the Company's 75% owned operating subsidiary Mogul of Ireland Limited. The operation reached stability with the mine and mill operating at the designed capacity throughout the year generally confirming pre-production predictions of ore grade, production performance and operating costs.

Operating profits for the year amounted to $6,433,908. After deducting interest charges on long term debt, royalties, depreciation and amortization charges, net profits amounted to $3,506,352.

Development throughout the year was confined mainly to the upper three levels developing stoping blocks in the upper "G" orebody. The fourth level cross-cut was driven to the lower "G" orebody with haulageways along the strike from which detailed drilling will be done. At the end of the year preparations were underway to drive a main haulageway to the "B" zone.

Development Footage Summary

	1969	1968
Surface Diamond Drilling	6,128	
Underground Diamond Drilling	41,534	24,612
	47,662	24,612
Mine Development	18,798	16,589

Development and mining of the "G" zone to date has essentially confirmed original estimates of tonnage and grade from surface diamond drilling. Since commencement of production to December 31, 1969 approximately 1,466,000 tons have been mined at a grade of 2.22% lead and 9.71% zinc.

Summary of Current Ore Reserves

Ore reserves in all classifications are currently estimated as follows:

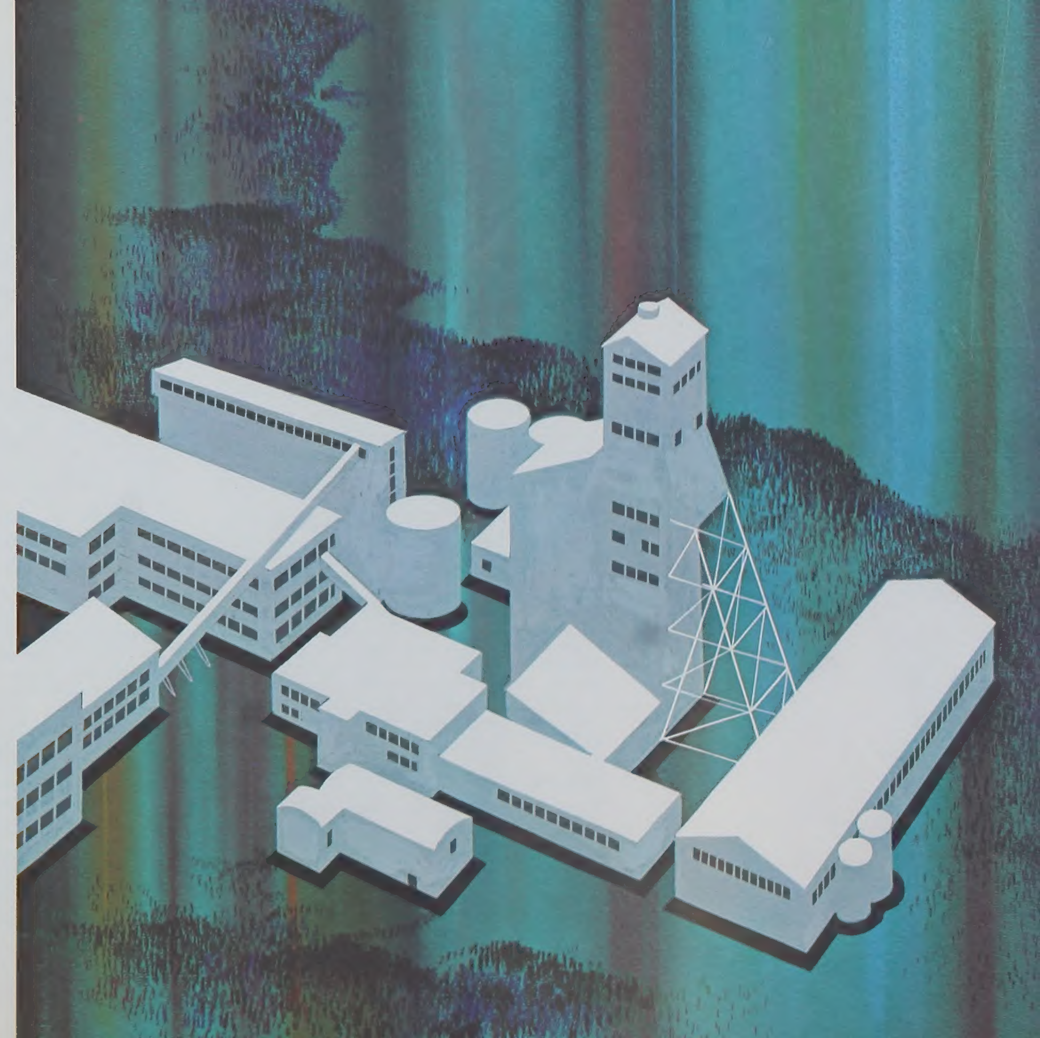
Zone	Tonnage	% Lead	% Zinc	Oz. Silver
High Grade Upper "G"	4,900,000	2.90	10.21	0.93
Low Grade Upper "G"	3,880,000	1.69	5.35	0.60
Total Upper "G"	8,780,000	2.36	8.06	0.78
Lower "G"	1,720,000	3.98	3.11	1.10
Total "G"	10,500,000	2.63	7.25	0.83
"B"	2,000,000	4.63	3.88	0.95
Total Ore Reserves	12,500,000	2.95	6.72	0.85

Tonnage mined during the year was 1,022,630, all above the third level, of which 76,879 came from development. Nineteen stoping blocks were actively worked. At year end eight stoping blocks had been mined out.

Tonnage milled during the year averaged 2.42% lead and 10.22% zinc. Concentrate production was 36,473 tons of lead concentrate and 175,476 tons of zinc concentrate. Concentrates grades and recoveries were much improved over 1968 reflecting the higher grade of ore treated and the overcoming of many of the metallurgical problems associated with the start-up of production. New equipment, including additional flotation cells and agitators were installed during the year to improve mill performance.

Extensive metallurgical test work was carried on throughout the year both in the plant and at outside laboratories in an effort to improve further upon metallurgical performance.

During the year $298,000 was expended on new equipment and facilities. Major items include additional mill equipment, backfill equipment, an extension to the mine change house and additional lead concentrate storage facilities at Foynes.



Artist's conception of the mining operation in Ireland.

Operating costs per ton milled were $5.75, an increase of $0.07 over the 1968 production period. Increased development, slightly higher wage and supply costs accounted for the increase. The average prices per pound obtained for lead and zinc over the year were 14.1 and 14.5 cents respectively.

During the year $4,845,000 of the Series "D" Bonds were retired. Total outstanding debt at year end stood at $16,631,000. Since January 1, 1970 a further $540,000 has been retired.

At year end there were 518 employees of which 106 were on salaried staff. In addition, there were 16 contractors employed. The total expenditure for salaries, wages and production bonus was $2,499,041, approximately 43% of operating costs.

Labour relations were normal throughout the year with no major work stoppages. Labour turnover was 28% while absenteeism was somewhat higher than last year.

Negotiations with the Irish Transport & General Workers' Union commenced towards the end of the year on a new labour agreement to be effective February 1, 1970. To date negotiations have reached the point where the Union negotiating committee has recommended to its membership, acceptance of the Company's offer of an increase of 2/6 ($0.32) per hour over a two year contract period. This offer has now been rejected by a vote of the union membership. However negotiations are continuing and a satisfactory settlement is anticipated in the near future.

EXPLORATION

There has been a marked increase in the exploration activities of the Company during the past year. This will expand at an even greater pace during the coming year. The principal activities were again centred in Canada and Ireland although prospects were evaluated in Australia, U.S.A., Spain, Portugal, the United Kingdom and Central America. The Company continued to encourage prospectors and developers to present potential properties of merit to the company and approximately eighty evaluation reports were completed during the year. Several of these proposals continue to be of interest.

In Ireland, Mogul of Ireland Limited resumed in late September exploratory drilling in the Silvermines district. The initial target involved the detailed investigation of an indicated ore area, the "B" zone, located some 4000 feet east of the "Knight" shaft. Currently, this program is continuing. Drill indicated ore reserves have been calculated at 2,000,000 tons with an undiluted grade of 5.45% lead, 4.57% zinc and approximately one ounce of silver. In addition, the current program has been expanded to encompass exploratory drilling along the untested portions of the Silvermines fault structure, and the potential extensions of the "G" and "B" zone orebodies northward into the valley. During 1970, this drilling project will involve over 30,000 feet of coring and an expenditure approaching $200,000.

Elsewhere in Ireland, the Company has participated in the exploration programs of various affiliated companies.

One such project of Irish Metal Mining Company was a continuation of the search for the past two years in the Devonian rocks of the Carbery district of County Cork in southwestern Ireland. During 1969 this program advanced to detailed soil sampling, mapping and evaluation of the indicated anomalous areas. Induced polarization surveys were undertaken over the most promising sites at Crookhaven, Glandore and Cosheen.

Your Company continues to engage in research and development projects in Ireland designed to uncover prospects of merit. Currently several of these projects have developed to a stage where larger scaled exploration programs will be undertaken in the near future.

In Canada, the major project was the joint venture in equal partnership with North Coldstream Mines Limited. This project was mainly involved in further drilling in the Juneau Lake area, north of Armstrong in northern Ontario. During the year, 27,047 feet of drilling in 46 holes was completed.

This drilling was mainly confined to a mineralized massive sulphide zone along a strike length of nearly 2,000 feet and to a depth of over 1,000 feet. This zone is calculated to contain 2.2 million tons with an undiluted grade of 0.87% nickel and 0.59% copper.

Metallurgical studies and tests conducted on representative samples revealed considerable difficulty in the concentration of the nickel content to an acceptable concentrate. Because of this difficulty, and the relatively modest tonnage of the zone, a commercial operation is not feasible at this time and the exploration program was suspended in December.

For the coming year the Company has initiated plans for exploration in the southwestern U.S.A., Central America and Australia.

The budgeted expenditures for the total 1970 program approach $500,000 but this amount will be readily increased in the event that any project justifies more intensive activity.

Lake Ainslie Project

Throughout the year pilot plant testing was conducted by the Atlantic Research Institute of the Nova Scotia Technical College on material from the Company's Lake Ainslie barite-fluorite deposit on Cape Breton Island.

Results to date have been encouraging and should be sufficiently advanced to permit detailed engineering and feasibility studies of the project to be completed by the end of 1970.

INVESTMENTS

The Grand Bahama Development Company, Limited

The 1968 Annual Report of your Company contained a comprehensive description of the activities of The Grand Bahama Development Company, Limited and its parent company, The Grand Bahama Port Authority. These companies continue to be engaged in the industrial and residential development of an area of approximately 214 square miles in and around the City of Freeport on Grand Bahama Island.

The revenue of the Development Company is derived from several sources. Real estate sales continue to be the most important revenue producer and totalled $37,644,916 U.S. in the year ended October 31, 1969.

Your Company owns, through a wholly-owned subsidiary, 1,950,000 shares of the Development Company which represents 16.9% of the 11,520,000 shares outstanding at October 31, 1969. International Mogul's interest in the 1969 earnings of the Development Company (including that company's interest in the profits of the Service and Utility companies) was approximately $3,200,000 U.S.

The following are some of the financial highlights with comparative figures for 1968 stated in U.S. dollars.

	1969	1968
Gross land sales	$37,644,916	$23,845,474
Net Income for the Year	16,854,347	6,424,014
Net Income per Share	1.46	0.56
Interest in earnings of The Grand Bahama Service Company Limited and The Grand Bahama Utility Company, Limited	18¢	19¢
Shareholders Equity at end of year:		
Share Capital & Share Premium	$30,605,000	$30,605,000
Retained earnings	40,675,566	23,821,223

The Grand Bahama Development Company, Limited

Artist's conception of Freeport in the future.

In June 1969, Benguet Consolidated Inc., listed on the New York Stock Exchange, publicly announced its intention to make an offer to the minority shareholders of the Development Company, to exchange 5/8 of 1 share of Benguet for a share of the Development Company. Your Company announced at that time that it intended to accept the offer.

In the months following that announcement, there were considerable delays experienced by Benguet in obtaining the necessary approvals from the regulatory authorities in the Philippines and the U.S.A. In March 1970, it had become clear that relative circumstances of Benguet and the Development Company had changed significantly since the time when the exchange offer was announced.

At the time of the announcement of the intended offer the market value of Benguet was approximately $27 U.S. whereas at the end of March 1970 the market value was approximately $9 U.S. The net profit per share of Benguet for the year ended December 31, 1968 was $0.77 U.S. compared to a net profit per share of $0.56 U.S. for the year ended October 31, 1968 for the Development Company. However, for the 1969 fiscal year the net profit per share of Benguet was $1.03 U.S. and that of the Development Company was $1.46 U.S.

These changed conditions resulted in a reappraisal of the exchange offer and it was then mutually agreed that the basis of the exchange was inappropriate and that it should not be proceeded with. However, the Development Company has agreed to make an application for listing on The Toronto Stock Exchange. It is expected that this will be processed in the near future.

Your Company's investment in The Grand Bahama Development Company is an important one. It has been profitable to date and can be expected to be even more profitable in the near future.

New Quebec Raglan Mines Limited

Work under the direction of Falconbridge Nickel Mines Limited continued throughout the year on the properties held by Raglan Quebec Mines Limited, the operating subsidiary, in the Ungava area of Quebec.

During the year additional surface diamond drilling was carried out on the Donaldson and Katiniq areas which enlarged the ore reserves. Indicated ore reserves without dilution at year end were estimated as follows:

	Tons	% Nickel	% Copper
Donaldson	2,620,700	4.43	0.99
Katiniq	4,862,500	3.05	0.86
	7,483,200	3.53	0.90

Shaft sinking commenced during the year on the Donaldson area and at year end had reached a depth of 753 feet toward the planned depth of 925 feet. Stations were established at the 350, 525 and 700 foot horizons, the latter to be the main development opening for detailed underground diamond drilling. A total of $4,903,510 was spent during the year on exploration, mine development, plant and camp facilities, engineering and feasibility studies and ancillary services. Arrangements were also made for further financing up to $7,500,000 to provide for an extensive surface diamond drilling and underground development program to be undertaken throughout 1970.

During 1969 your Company sold 60,100 shares of New Quebec Raglan for a total of $1,224,482.

New Quebec Raglan Mines Limited

Drilling and headframe at Raglan.

In late January 1970, it was decided to accept an offer from Falconbridge Nickel Mines Limited to purchase 500,000 shares of New Quebec Raglan for \$7,500,000. During early 1970 a further 99,300 shares were sold on the open market for a total of \$1,781,668. These sales were made after careful consideration of your Company's position and an evaluation of the advisability of retaining intact the 17% interest in New Quebec Raglan. It was concluded that, notwithstanding the excellent future potential, it was in the best interests of the shareholders of International Mogul to liquidate approximately one half of the holdings in New Quebec Raglan. The 567,420 shares still held represent a significant investment in the future of New Quebec Raglan and the funds now available to your Company have already enabled it to expand its exploration and development activities as well as placing it in an excellent position to take advantage of opportunities for profitable investments as they arise. No further sales of shares of New Quebec Raglan are contemplated at this time.

New Mount Costigan Mines Limited

In early 1970 your Company purchased 993,020 shares of New Mount Costigan Mines Limited for \$604,967 being 30% of its issued shares.

New Mount Costigan, through a wholly-owned subsidiary, Costigan Mining (Australia) Pty. Limited owns 86% of Naracoopa Rutile Limited which owns and operates a beach sand deposit of zircon and rutile in Tasmania. In addition to the interest in the Naracoopa property New Mount Costigan had previously held a 600 square mile concession in the northwestern part of Tasmania. New Mount Costigan entered into an agreement in September 1964 whereby the concession was incorporated into Comstaff Proprietary Limited. Anglo American Corporation (Australia) Limited expended approximately \$200,000 during 1969 in exploration work on the property and may earn up to a 90% interest in Comstaff with New Mount Costigan retaining 10%. Work on the Comstaff property has included a considerable amount of diamond drilling and results to date have been quite encouraging. It is expected that Anglo American will expend in excess of \$300,000 on exploration work during 1970.

During 1970 your Company will become much more active in Australia. In addition to overseeing existing interests it is the intention to build up an Australian exploration arm and be in a position to participate in, and benefit from, the flourishing natural resource developments in Australia. Accordingly, arrangements have been made to have a full-time staff in that country by the middle of the year. It is expected that during 1970, Costigan Mining (Australia) Pty. Limited will issue shares to the public in Australia to provide the funds for an active exploration and development program for that company.

International Mogul intends to become directly active in Australia through a wholly-owned subsidiary yet to be incorporated.

Tontine Mining Limited

For some years International Mogul has been a significant shareholder in North Rankin Nickel Mines Limited and McWatters Gold Mines, Limited. These companies were brought together in early 1970 as Tontine Mining Limited.

Your Company owns approximately 37% of the issued shares of Tontine. This company is in a strong financial position and it will

become increasingly active and aggressive in exploration and development.

A grass roots exploratory venture (known as the G-K project) was initiated in the late fall of 1969. An aerial survey with magnetic and electromagnetic equipment was undertaken over a 300 square mile area of the favourable greenstone belt lying between Marshall Lake and O'Sullivan Lake, north of Kowkash in northwestern Ontario. A total of 237 claims have been staked to cover the anomalous area encountered in the aerial surveys. Surface prospecting, geological maps and ground magnetic and electromagnetic surveys are underway to evaluate the aerial anomalous indications.

It is anticipated that this ground follow-up will be completed by early fall and warrant further investigation by drilling.

During 1969 further exploration and development work was carried out in connection with Tontine's nepheline syenite deposit located near Marathon in the Thunder Bay Mining District. Geological mapping was completed and twenty-three surface samples were selected for thin section and petrological studies. These slides revealed a nepheline content ranging up to 35%. However, conditions detrimental to the ultimate use of the nepheline-bearing material as a glass sand were present possibly due to the samples being from surface.

It is planned to acquire fresh drill core samples beneath the weathered zone. In addition, sufficient drilling is planned for the current year to bring the more favourable areas to lease.

Tontine has a 16% participation in a geochemical prospecting search for oil and gas areas in western and southwestern Ontario. There are a number of attractive anomalous areas indicated which warrant further investigation and it is planned to maintain the participation during the continuing investigations.

In Ireland, Tontine continues to participate in a number of syndicate ventures.

During 1969, a patent survey was carried out on the Langmuir Township property, site of a small copper-nickel ore body, in order to acquire a mining lease.

Other Investments

The following are some of the other investments held by International Mogul at December 31, 1969.

Company	No. of Shares	Lower of Cost or Market Value	Market Value
International Halliwell Limited	145,147	$537,044	$537,044
Irish Copper Mines Limited	2,990,213	508,300	508,300
North Coldstream Mines Limited	330,000	411,561	597,300
Silvermines Limited	119,003	75,550	77,352

Financial Statements

International Mogul Mines Limited

(Incorporated under the laws of Ontario)
and its consolidated subsidiaries

Consolidated Balance Sheet

December 31, 1969

(with comparative figures at December 31, 1968)

ASSETS

	1969	1968
Current Assets		
Cash	$ 959,582	$ 1,057,867
Accounts receivable	653,032	91,876
Funds held by trustee		190,151
Income tax deposit and accrued interest		161,882
Concentrates on hand and in process of settlement, at estimated value	2,201,682	1,627,967
Inventory of supplies, at cost	793,097	537,364
Prepaid expenses and deposits	4,678	31,462
	4,612,071	3,698,569
Deposits		
Income taxes under appeal (note 8)	110,496	110,496
Prepaid harbour dues	181,097	208,411
	291,593	318,907
Investments (note 3)		
Subsidiaries not consolidated (note 4)	613,672	785,609
Other companies (quoted market value 1969, $38,030,000; 1968, $27,503,000)	8,436,391	7,819,804
	9,050,063	8,605,413
Fixed Assets (note 5)		
In Ireland, at cost		
Mineral leases and rights (note 6)	1,805,747	1,805,747
Land, buildings, plant and equipment	10,757,819	10,458,884
In Canada		
Buildings, machinery and equipment	466,614	747,551
	13,030,180	13,012,182
Less accumulated depreciation and depletion	1,083,882	20,003
	11,946,298	12,992,179
Mining Claims and Rights		
Cost	406,032	402,902
Deferred exploration and development	1,289,068	1,154,630
	1,695,100	1,557,532
Deferred Charges, amortized value (note 5)		
Preproduction expenditures in Ireland	5,869,334	6,252,742
Discount on First Mortgage Bonds, Series A	1,449,183	1,567,000
Other	219,465	244,703
	7,537,982	8,064,445
Excess of Cost of Shares of Subsidiary over book value on acquisition of Mogul of Ireland Limited, at cost	—	83,841
	$35,133,107	$35,320,886

LIABILITIES

	1969	1968
Current Liabilities		
Bank loan, since repaid	$ 500,000	$ 500,000
Accounts payable and accrued liabilities	1,481,539	1,354,820
Notes payable, due May 31, 1970	255,109	
	2,236,648	1,854,820
Long-Term Debt		
Notes payable, due May 31, 1970		255,109
First Mortgage Bonds of Mogul of Ireland Limited (note 2)		
7% Series A maturing September 1, 1975	7,000,000	7,000,000
6¾% Series B (U.S. $6,500,000) maturing September 1, 1973	7,017,899	7,017,899
6¾% Series C (U.S. $1,000,000) maturing September 1, 1973	1,075,038	1,075,038
6¾% Series D (U.S. $ 500,000) maturing September 1, 1971	538,340	4,846,853
	15,631,277	20,194,899
Minority Interest in Mogul of Ireland Limited	1,253,463	376,875
SHAREHOLDERS' EQUITY		
Capital Stock (note 7)		
Authorized — 4,000,000 shares without par value		
Issued — 2,607,112 shares (1968, 2,605,862 shares)	11,061,079	11,046,079
Contributed Surplus	2,028,168	2,028,168
	13,089,247	13,074,247
Retained Earnings (Deficit)	2,922,472	(179,955)
	16,011,719	12,894,292
	$35,133,107	$35,320,886

Approved by the Board:

D. W. KNIGHT, Director.

R. D. BELL, Director.

AUDITORS' REPORT

To the Shareholders of
International Mogul Mines Limited

We have examined the consolidated balance sheet of International Mogul Mines Limited and its consolidated subsidiaries as at December 31, 1969 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the changes in accounting practice set out in note 10, with which changes we concur.

Thorne, Gunn, Helliwell & Christenson

Chartered Accountants

Toronto, Canada
February 28, 1970

Consolidated Statement of Income and Retained Earnings

Year ended December 31, 1969

Revenue from production of concentrates		$13,606,580
Mine operating expenses	$ 7,108,708	
Administrative and general expenses	749,633	
Interest on long-term debt	1,267,950	
General exploration and property maintenance	94,510	
Other expenses	97,773	
Depreciation, depletion and amortization	1,674,101	
Loss on write-down and sale of fixed assets	179,704	
	11,172,379	
Less income from investments, consulting, management and other services	399,010	10,773,369
Income before undernoted items		2,833,211
Gain on sale of investments		1,229,645
Net income for year before interest of minority shareholders		4,062,856
Interest of minority shareholders in net income of subsidiary, Mogul of Ireland Limited		876,588
Net income for the year		3,186,268
Deficit at beginning of year	179,955	
Excess of cost of shares of subsidiary over book value, written-off	83,841	263,796
Retained earnings at end of year		$ 2,922,472
Earnings per share		$ 1.22

Consolidated Statement of Source and Application of Funds

Year ended December 31, 1969

Source of Funds		
Net income for year before interest of minority shareholders	$4,062,856	
Items not involving current funds		
Depreciation, depletion and amortization	1,674,101	
Other	195,677	
	5,932,634	
Proceeds from sale of fixed assets	109,724	
Other	67,500	$6,109,858
Application of Funds		
Reduction of non-current portion of long-term debt (net)	4,563,622	
Investment in shares and advances		
Subsidiaries not consolidated	6,552	
Other companies	460,890	
Additions to fixed assets	304,887	
Preproduction expenditures in Ireland	93,596	
Exploration expenditures deferred	144,312	
Purchase of mining claims and rights	4,325	5,578,184
Increase in working capital		531,674
Working capital at beginning of year		1,843,749
Working capital at end of year		$2,375,423

Notes to Consolidated Financial Statements

Year ended December 31, 1969

1. Basis of Consolidation

The accounts of the company's subsidiaries, Mogul of Ireland Limited, Lorado of Bahamas, Limited, M.E.M. Consultants Limited and Perry-Pattison Limited, are consolidated herein. These subsidiaries are wholly-owned except for Mogul of Ireland in which the company holds a 75% interest.

The accounts of Mogul of Ireland and Lorado of Bahamas are recorded in Sterling and U.S. dollars respectively. In the accompanying financial statements, current assets and current liabilities have been converted at the prevailing rate of exchange as at December 31, 1968 and 1969 respectively. Other assets, liabilities and income have been converted at the average rate of exchange for the year that the assets were acquired, the liabilities were incurred and income earned except that the first mortgage bonds have been converted at the rate of exchange on date of issue.

2. First Mortgage Bonds of Mogul of Ireland Limited

In 1969, Series D bonds of U.S.$500,000 principal amount (Cdn.$536,550) were issued and U.S.$4,500,000 (Cdn.$4,845,063) were redeemed. On February 27, 1970 the remaining Series D bonds, U.S.$500,000 principal amount, were redeemed.

All bonds are secured by a first fixed and specific mortgage and charge on all the real and immovable property of Mogul of Ireland and all buildings and fixed plant, machinery and equipment constructed or acquired by it as part of the development program of the Silvermines property, and all contracts entered into for the sale of concentrates; also by a first floating charge on the undertaking and all other property and assets of Mogul of Ireland, both present and future.

These bonds are not guaranteed by International Mogul Mines Limited.

Mogul of Ireland is required under the terms of the Trust Deed securing the bonds to establish a fund for their retirement by paying to the trustee, on or before September 1 in each of the years 1969 to 1974 inclusive, an amount equal to its net cash flow from operations as defined in the Trust Deed. Notwithstanding the amount of the net cash flow available, Mogul of Ireland is required to pay into the retirement fund on or before September 1, in each of the years 1970 to 1974 inclusive, minimum amounts sufficient to redeem on a cumulative basis, on or before such dates, the following principal amounts of bonds:

By September 1, 1970 — U.S.$ 2,400,000
By September 1, 1971 — U.S.$ 5,000,000
By September 1, 1972 — U.S.$ 9,500,000
By September 1, 1973 — U.S.$12,500,000
By September 1, 1974 — U.S.$12,500,000
and Cdn.$ 3,500,000

The company has satisfied the retirement provisions of the trust deed for 1969, and through the redemption of U.S.$5,000,000 principal amount of Series D bonds as aforementioned, has satisfied the minimum requirements up to and including September 1, 1971.

3. Investments

Investments in shares with quoted market value are valued at the lower of cost and market; shares without quoted market value are carried at nominal value.

To eliminate inconsistencies in the valuation of certain investments, including subsidiaries, their book values were in 1969 written up or down to bring them to the lower of cost and market value, resulting in a net increase in value of $2,400.

Because of the large blocks of shares held in certain companies, the quoted market values are not necessarily indicative of the value of the investment which may be more or less than indicated by market quotations.

4. Subsidiaries not Consolidated

Investment in subsidiaries not consolidated is as follows:

	1969	1968
Irish Copper Mines Limited		
Shares (quoted market value 1969 $508,300; 1968, $433,600)	$ 508,300	$ 686,789
Other		
Shares (without quoted market value)	15,129	14,517
Advances	90,243	84,303
	105,372	98,820
	$ 613,672	$ 785,609

During 1969 the investment in Irish Copper was written down to quoted market value, being less than cost. Shares of other subsidiaries are valued at cost or nominal value depending on circumstances.

The accounts of these subsidiaries have not been consolidated because the majority are exploration companies in the initial stages of their development, and the remainder are inactive or otherwise immaterial.

5. Depreciation, Depletion and Amortization

Mogul of Ireland commenced to provide for depreciation of fixed assets in Ireland and depletion of mineral leases and rights and amortization of deferred charges on January 1, 1969, the date management considers

that the operations of the mine achieved a commercial level of production. These assets will be written off over the life of the mine, based on ore reserves established from time to time except for certain fixed assets the life of which is estimated to be shorter than that of the mine. The rate of depreciation of these assets has been adjusted accordingly.

Fixed assets in Canada are recorded at cost or less than cost. These assets are being depreciated at the rate of 20% per annum.

6. Mineral Leases and Rights

Mineral rights to the Silvermines property in Ireland were acquired in various parcels either by outright purchase or by lease and sub-lease from the State and others. Some of the leases and sub-leases call for the payment of royalties under certain conditions upon commencement of production. The mineral rights leased from the Republic of Ireland, comprising about 40% of the G Zone orebody, are leased until December 1, 1995 subject to the payment of an annual royalty to the State ranging from 4% to 10% of the profits therefrom.

7. Stock Options

The company has reserved 100,000 shares of its capital stock under an incentive option plan for employees of the company and its subsidiaries. Any such options granted are to be at a price of not less than 90% of the market value of the shares at the date of grant. Options are in good standing for five years from that date, exerciseable on a cumulative basis as to 20% of the shares optioned in any one option year.

During the year options were granted on 59,300 shares at $17.00 per share under the terms of the plan.

An option on an additional 1,250 shares remains outstanding at $12.00 per share exerciseable on or before August 1, 1970. During the year, 1,250 shares were issued at $12.00 per share under this option.

8. Income Taxes

The company has succeeded in its appeals against income tax re-assessments for the years 1961 to 1963 inclusive, involving approximately $725,000, with the result that no taxes are exigible for those years. Re-assessments of the years 1964 to 1966 inclusive are presently under objection, and it is expected that no material tax liability will result from such re-assessments.

The company has no taxable income for 1969 and has substantial undepreciated capital cost, exploration expenditures and other allowances available to offset taxable income of future years.

No provision for income taxes is required for Mogul of Ireland Limited on income from mining operations until 1988.

9. Subsequent Events

Subsequent to December 31, 1969, the company has sold 599,300 shares of New Quebec Raglan Mines Limited, realizing a gain therefrom of $8,805,000.

In early 1970, the company purchased 993,020 common shares of New Mount Costigan Mines Limited for $604,967. This represents a 30% interest in that company, a subsidiary of which operates a producing rutile and zircon mine in Australia.

On February 26, 1970 the company acquired, through a subsidiary, 34,500 preference shares and 260,000 common shares (representing a 50.5% interest) in Federal Drilling Supplies Limited, a company formed to manufacture diamond drilling and mining supplies, for $648,000, of which $473,000 has been paid in cash. The balance payable, $175,000, is due in 1974 and may be reduced under certain circumstances.

10. Changes in Accounting Practice and Comparative Figures

In 1969 the company changed its accounting practice with respect to gains on sale of investments, cost of mining claims and rights abandoned and exploration expenditures written off. These items are now reflected in the statement of income, whereas in prior years they were carried directly to deficit.

Comparative figures are not provided for statements other than the balance sheet as the year ended December 31, 1969 is the first complete fiscal year of the company which resulted from the amalgamation of four companies in 1968.

Certain items on the balance sheet as at December 31, 1968 have been reclassified to give effect to changes in presentation adopted in 1969. In particular, plant design cost of $1,036,782 previously included in preproduction expenditures is now included in fixed assets.

11. Other Statutory Information

Direct remuneration of the company's directors and senior officers (as defined by The Corporations Act), from the company and its consolidated subsidiaries was $220,382.

The Grand Bahama Development Company, Limited

(Incorporated under the Laws of the Bahama Islands)

Consolidated Balance Sheet

At October 31, 1969-1968
(Stated in United States Dollars)

		1969	1968
ASSETS			
Cash, including time deposits (interest to 10½%) of $11,556,098 and $6,344,656		$13,300,601	$ 7,737,923
Accounts Receivable			
— due under land sales agreements (less provision for possible terminations $7,201,858 — 1968 $4,597,000) (Note 2)		40,830,289	26,054,575
— Other		413,687	471,496
Accrued Interest		540,166	98,976
Prepaid Expenses		234,297	275,482
Land and Improvements Held for Sale (Note 3)		28,831,842	27,379,191
Option on Land Purchase (Note 4)		—	—
Mortgages and Note Receivable		946,732	1,236,002
Investments In, at Cost, and Advances (Net) to Affiliated Companies (Note 6)		6,440,184	3,675,427
Property, Plant and Equipment, at cost, less accumulated depreciation (Note 5)		3,890,829	3,907,759
		$95,428,627	$70,836,831
LIABILITIES AND STOCKHOLDERS' EQUITY			
Accounts Payable and Accrued Expenses			
— trade		$ 1,381,570	$ 989,706
— other		788,073	566,170
Commissions Payable		2,864,402	1,884,165
Estimated Liability for Foreign Withholding Taxes		398,494	294,344
Provision for Future Land Improvements (Note 3)		18,684,751	12,404,563
Notes Payable		30,771	271,660
Stockholders' Equity			
Share Capital (Note 7)			
Authorized —			
19,960,000 shares of B$2.145 each	$41,957,916		
10,000 shares of B$8.58 each	84,084		
	$42,042,000		
Issued and fully paid —			
11,520,000 shares of B$2.145 each	$24,216,192		
10,000 shares of B$8.58 each	84,084	24,300,276	24,300,276
Share premium		6,304,724	6,304,724
Retained earnings		40,675,566	23,821,223
		71,280,566	54,426,223
Commitments and Contingent Liabilities (Notes 4, 8 and 9)		—	—
		$95,428,627	$70,836,831

"GEORGE W. KATES"
"JOHN T. KIMBALL" } Directors

The notes attached hereto form an integral part of this statement.

Consolidated Statement of Income and Retained Earnings

For the year ended October 31, 1969-1968
(Stated in United States Dollars)

	1969	1968*
Gross land sales	$37,644,916	$23,845,474
Less: Discounts and allowances	1,895,562	1,770,940
Net land sales (Note 2)	35,749,354	22,074,534
Less: Cost of land sales (Note 3)	8,538,445	6,448,847
	27,210,909	15,625,687
Other Income		
Interest (less foreign withholding taxes)	2,523,596	1,549,409
Net profit of Bahamas Amusements Limited (Note 8)	2,895,091	431,028
Miscellaneous	445,307	358,893
	33,074,903	17,965,017
Selling, administrative and general expenses	12,317,157	8,460,435
Depreciation	285,190	399,960
Interest expense	8,373	33,713
Provision for possible terminations of land sales agreements (Note 2)	3,457,692	2,327,553
Net loss of golf course operation (excluding depreciation $51,630 — 1968 $46,919)	152,144	19,342
Land option amortized (Note 4)	—	300,000
	16,220,556	11,541,003
Net income for the year	16,854,347	6,424,014
Retained earnings at beginning of year	23,821,219	17,397,209
Retained earnings at end of year	$40,675,566	$23,821,223
Net Income per Share (Note 7)	$1.46	$0.56

* Restated for comparative purposes.

The notes attached hereto form an integral part of this statement.

AUDITORS' REPORT

THE BOARD OF DIRECTORS AND SHAREHOLDERS
THE GRAND BAHAMA DEVELOPMENT COMPANY, LIMITED

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of income and retained earnings present fairly the consolidated financial position of The Grand Bahama Development Company, Limited and its subsidiaries at October 31, 1969 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.,
Chartered Accountants.

January 16th, 1970,
Freeport, Bahamas.

Notes to Consolidated Financial Statements

At October 31, 1969

Note 1 — General

The consolidated financial statements include the accounts of The Grand Bahama Development Company, Limited (a 54% owned subsidiary of The Grand Bahama Port Authority, Limited) and its subsidiaries (all 100% owned) with the exception of Lucaya Service Company Limited.

Lucaya Service Company Limited was formed to collect service charges on land sold and to expend same on its maintenance and improvement. As such sums can in no way revert to the Company the results of operations of this company are excluded from these statements.

Effective November 1, 1968 the Company disposed of its entire interest in a former 100% owned subsidiary at its net book value. The operating results of that subsidiary included in the 1968 statements were:—

Income	$ 223,410
Expenses	202,713
Net Income	$ 20,697

All amounts are stated in United States Dollars and where necessary other currencies have been expressed at the rate of:—

U.S.$1 = Bahamian $1.02
U.S.$2.80 = Bahamian £1
U.S.$2.40 = Sterling £1

Note 2 — Land Sales and Accounts Receivable

The Company sells land for cash or on a term basis and has adopted the accounting practice of recording the full sales price of land at the time an agreement is executed and a down payment of generally 20% is received. Term sales are mainly payable in equal monthly instalments over five to seven years with annual interest to 7%.

The term sales agreements provide (1) that title to lots sold remains with the Company until full payment has been received and (2) that the purchaser is not obligated to continue paying instalments, but can terminate, subject to the forfeiture of payments previously made. Accordingly, an allowance for terminations amounting to 15% of land sales accounts receivable has been established which the Company believes is adequate to provide against possible losses arising from such terminations. On termination of a term sales contract in the year in which the sales is recorded, the sale and related costs are eliminated from income for that year.

Principal instalments due on land sales receivables for the year ended October 31, 1970 is estimated to be $10,000,000.

Note 3 — Land and Improvements Held for Sale

Land and improvements held for sale are stated at cost plus the estimated future costs required to fully develop areas presently on the market for sale, less those costs applicable to land sales to date.

Land offered or to be offered for sale has been divided into various areas and sub-divisions and costs are allocated to the area or sub-division concerned. Total estimated costs are mainly charged to cost of sales in the proportion of actual sales to estimated total sales value of the respective areas.

The total cost of land and improvements held for sale is made up of $11,495,424 in respect of unsold land in sub-divisions on the market for sale and $17,336,418 (excluding future direct improvement costs) in respect of land, largely undeveloped, which has not yet been offered for sale.

Note 4 — Option on Land Purchase

Under an agreement dated July 1961, as subsequently amended, for a total consideration of $625,000 the Company acquired an option for a period of seven years and three months from the date thereof to purchase for a further $2,375,000 approximately 1,704 acres of land and additional timber cutting rights in respect of an area of approximately 100,000 acres of Grand Bahama Island.

In October 1968 the Company exercised the option to acquire, for a sum of $1,250,000 (including $125,000 of the option consideration), the 1,704 acres of land. Simultaneously the option to purchase the timber

cutting rights was extended to January 1970 for \$1,750,000 against which the balance of the option consideration of \$500,000 is to be applied if this option is exercised. Interest at the rate of 7½% per year from July 1968, is payable on the net sum due of \$1,250,000 if and when this option is exercised.

If the Company does not exercise the option to acquire the timber cutting rights before the due date the payment of \$500,000 will be forfeited. As management has not determined whether the timber cutting rights option will be exercised they have amortized the \$500,000 option cost over the 15 months ended July 31, 1968.

Note 5 — Property, Plant and Equipment

	1969	1968
Freehold land, buildings and other improvements	\$3,950,114	\$3,922,942
Aircraft	736,413	736,413
Other	670,636	626,528
Construction in progress ...	131,777	59,865
	5,488,940	5,345,748
Less:		
Accumulated depreciation	1,598,111	1,437,989
	\$3,890,829	\$3,907,759

Note 6 — Investments in, at Cost, and Advances (Net) to Affiliated Companies

	Shares of Stock at cost	Advances and Interest Free Notes
The Grand Bahama Service Company, Limited	\$2,009,000	
The Grand Bahama Utility Company, Limited	1,020,782	
Freeport Power Company, Limited		\$ 366,490
Bahamas Amusements Limited		
Permanent advance		100,000
Current account		1,915,091
Freeport Construction Company, Limited	300,000	
Lucaya Service Company, Limited (Note 1)	2,793	
The Grand Bahama Port Authority, Limited		726,028
	\$3,332,575	\$3,107,609

Both The Grand Bahama Service Company, Limited and The Grand Bahama Utility Company, Limited are 49% owned. Freeport Construction Company, Limited is 25% owned. None of these companies have ever paid a dividend.

The Company's interest in the net equity and earnings of these companies at October 31, 1969 was \$9,840,-000 and \$2,033,000 respectively.

Note 7 — Share Capital and Options

The holders of the 10,000 B\$8.58 shares issued by the Company have special rights as follows:— 5,000 shares issued are entitled to special voting rights on resolutions to place the Company into voluntary liquidation and the said 5,000 shares together with the other 5,000 shares issued have the right at any time to appoint, remove and replace four directors of the Company. All of these shares are held by The Grand Bahama Port Authority, Limited.

There was no movement during the year in outstanding share capital. On October 31, 1961 the Board of Directors adopted an employees' restricted share option plan in respect of 500,000 B\$2.145 common shares. The plan is governed by a committee of three Directors at whose entire discretion options may be granted and terms set. No options have been granted pursuant to this plan and there are no other options outstanding.

Net income per share is based on the weighted average number of shares of B\$2.145 outstanding during the year.

Note 8 — Bahamas Amusements Limited

The Company has guaranteed for ten year periods, (ending 1974-1976) various leases and other obligations of Bahamas Amusements Limited (a company which has acquired an exclusive certificate of exemption to operate casinos on Grand Bahama Island for a period of 10 years from January, 1964) to the extent of \$1,750,000 per year.

"El Casino" which is owned by the Company, has been leased to Bahamas Amusements Limited for ten years from January 1967.

It has been agreed that the Company will receive from Bahamas Amusements Limited the net profits derived by that company from its operations. The Company has therefore recorded the profit of Bahamas Amusements Limited in the current year.

Note 9 — Contingent Liabilities

(a) The Company has guaranteed loans of \$66,000 to a sales broker against commissions due to the broker.

(b) The Company is contingently liable under performance bonds issued by the Company's bankers for the completion of certain land developments estimated to cost \$7,900,000.